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Withdrawer

CAS 6/11/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (9/21/84-9/25/84)

FOIA

M09-299/1

Box Number 14

COLLINGS

28

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92618	MEMO	ROBERT KIMMITT TO LAUX RE SEC. SHULTZ'S EVENING REPORT FOR 9/20/84 <i>R 6/21/2012 M299/1</i>	1	9/21/1984	B1
92619	PAPER	RE HONG KONG (PP. 14-15 ONLY) <i>PAR 12/20/2017 M299/1</i>	2	9/21/1984	B1 B3
92621	PAPER	RE HONG KONG <i>PAR 12/20/2017 M299/1</i>	8	9/21/1984	B1 B3
92622	CABLE	LONDON 21136 <i>R 6/21/2012 M299/1</i>	4	9/24/1984	B1
92623	CABLE	LONDON 21146 <i>R 6/21/2012 M299/1</i>	4	9/24/1984	B1
92625	DRAFT STATEMENT	RE UK-PRC AGREEMENT ON THE FUTURE OF HONG KONG (SAME AS 92603) <i>R 6/21/2012 M299/1</i>	1	ND	B1
92626	MEMO	LAUX TO MCFARLANE RE STATUS REPORT <i>R 6/21/2012 M299/1</i>	1	9/24/1984	B1
92628	DRAFT STATEMENT	SAME TEXT AS 92625 <i>R 6/21/2012 M299/1</i>	1	ND	B1
92630	MESSAGE	PM THATCHER TO RR RE HONG KONG <i>R 6/21/2012 M299/1</i>	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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92631	MESSAGE	SAME TEXT AS 92630 <i>R 6/21/2012 M299/1</i>	2	ND	B1

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92618

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

File = HK

Sept 21, 1984

MEMORANDUM FOR:

David Sawyer

FROM: ROBERT M. KIMMITT

SUBJECT: Secretary Shultz's Evening Report of: Sept 20

The following excerpt is for your information only. Please do not refer to it in any discussions.

2/ UK-PRC Agreement on Hong Kong's Future. We believe--based on detailed consultations with the British--that the UK-PRC agreement addresses the most important concerns of the Hong Kong people and that it will be well-received in London, Beijing, and Hong Kong when it is made public next week. The British are content that they obtained sufficient assurances from the Chinese to satisfy businessmen concerned about the prospects of transfer of sovereignty to China in 1997. The British will announce the agreement's initialling either September 25 or 26. They want us to make a supportive statement shortly thereafter. We intend to make a statement welcoming the agreement and lending our carefully phrased support to it. We will stress the importance of the agreement to the \$4 billion in US investment in Hong Kong and the annual bilateral trade in excess of \$8 billion. We will suggest that the agreement will provide American investors with sufficient confidence to maintain their active commercial involvement in Hong Kong. (S)

DECLASSIFIED

NLRR M299 #92618

BY KML NARA DATE 6/21/12

~~SECRET~~

13526
E. O. 12958
As Amended
Sec. 3.3b(1)(6)
3.5c

FOIA(b) (3)

~~top secret~~

File

7 2017 J
HR

Special Analysis

Beijing will concentrate on expanding its popular support and influence in Hong Kong after the agreement transferring the territory to China in 1997 is initialed next week. While many of Hong Kong's 5.5 million residents will remain skeptical of Beijing's assurances that it will leave Hong Kong's existing social and economic systems unchanged until 2047, most will be resigned to the reversion.

[REDACTED]

Most people in Hong Kong are likely to be relieved that Hong Kong's future has been somewhat clarified or to be resigned to the fact that they are powerless to change the outcome. Even though some interest groups in Hong Kong may raise strong objections,

[REDACTED]

Taiwan, for its part, does not want Hong Kong to adjust too successfully to the change, lest it undercut Taipei's refusal to negotiate reunification with Beijing. Nonetheless, Taiwan recognizes that its influence is limited, and it is unlikely to be a strong force of opposition in the colony. Indeed, Taiwan is loathe to endanger its own economic interests in Hong Kong, and its approach will remain cautious until it can assess the implications of the agreement.

Expanding Chinese Influence

Over the next several years Beijing is likely to try to expand its popular support and its influence within the colony's executive and administrative structure with the aim of gaining a strong behind-the-scenes voice in policy matters. At the same time, Beijing clearly wants to build public confidence in its commitment to grant Hong Kong autonomy in order to avoid social and economic instability.

continued

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NLRR m2991 #9269

BY fw NARA DATE 12/20/17

~~Top Secret~~

21 September 1984

As a consequence Beijing probably will:

- Solicit local views for Hong Kong's organic law.
- Cultivate key groups and individuals in the colony.
- Make selected, well-publicized investments in Hong Kong.
- Refrain—especially at first—from intervening publicly in Hong Kong's affairs.
- Pay lipservice to democratic reforms while organizing its own slate of candidates.

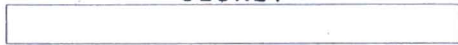
Prospects

The next few years will be critical for Hong Kong's future. Beijing will have a hard time gaining the confidence of the Hong Kong people, many of whom are refugees from China. While Beijing hopes for a smooth transition to aid its modernization program and to aid its efforts to reunify with Taiwan, strong nationalistic pressures could sway Beijing from its moderate and flexible approach. China may not be able to refrain from heavyhanded tactics, especially if it believes the British are attempting to circumvent the spirit of the agreement.

Beijing is determined to protect its interests in Hong Kong. If, however, it meddles extensively, shows signs of renegeing on its commitments under the accord, or clashes repeatedly with the British over transition arrangements, its chances of building public support will be severely damaged.

The business and professional classes, who have the option of leaving, will be watching carefully to see whether China lives up to its promises not to tamper with Hong Kong's economic and social systems. Financial speculators may exacerbate bouts of nervousness in the colony. Continued strong economic ties with the US, the largest foreign investor in Hong Kong and the territory's largest trading partner, will remain an important factor for stability.

~~Top Secret~~



Central Intelligence Agency

EO 13526 3.3(b)(1)>25Yrs
EO 13526 3.5(c)




Washington, D.C. 20505


DIRECTORATE OF INTELLIGENCE

21 September 1984

Hong Kong: A Settlement Is Reached

Summary

The initialing of a Sino-British accord on Hong Kong later this month and its formal ratification by next June now seem all but certain. Although some groups in Hong Kong--and possibly within the British Conservative Party--are likely to attack the agreement as too vague, we do not expect this opposition to derail the ratification process. Indeed, the reaction in Hong Kong is likely to be a mixture of relief and resignation. 

Once the accord is ratified both sides will turn to the lengthy process of working out the details for the eventual transfer of authority over Hong Kong to China in 1997. Beijing's key objectives during this transition period will be to expand its narrow base of support and influence in the colony while somehow maintaining economic and social stability. By doing so, Beijing hopes to induce Taiwan to reconsider its refusal to discuss reunification. 

This memorandum was prepared by  China Division, Office of East Asian Analysis. It was coordinated with EURA. Comments and questions are welcome and should be addressed to Chief, DEA/China/Foreign Affairs Branch, 

EA M 84-10174



DECLASSIFIED IN PART
NLRRM299/1 #92621
BY RW NARA DATE 12/20/17

Many senior Chinese officials, however, remain suspicious of British intentions and are determined to prevent British authorities from using their continued control during the interim to undercut Chinese interests. If Beijing interferes heavily-handedly to block such machinations--real and imagined--it risks triggering the very flight of capital and talent it hopes to avoid. The next few years should provide a clearer indication of whether the Chinese can adroitly extend their influence without undermining what little public confidence exists in China's promises to leave Hong Kong's economic and social systems in tact. [redacted]

The Expected Agreement

The agreement, or "joint declaration" as it will be called, is expected to consist mainly of a brief set of principles. It will acknowledge China's assumption of sovereignty and administration over Hong Kong in 1997 and will outline China's plan for maintaining Hong Kong's existing social and economic systems and autonomy for 50 years after that. Several annexes will lay out the transition arrangements and the rights of Hong Kong's government and residents after 1997. These annexes, which will cover most of the provisions that China plans to incorporate into its basic law for Hong Kong, will be concluded through an exchange of diplomatic notes. [redacted]

The key elements of the joint declaration already agreed upon include:

- Hong Kong's existing British legal system will be preserved with final judicial appeal rights vested in a high court in Hong Kong, instead of London or Beijing.
- All land leases, including those in the New Territories, will be renewable through 2047 and a Sino-British commission on land will be set up shortly to monitor transactions.
- The power to make laws will remain with the Legislative Council.
- Hong Kong's economy will remain autonomous. The local dollar will continue to be convertible and capital movement and trade will be unrestricted. Hong Kong will remain a separate customs territory, will retain its membership in international organizations such as GATT, and will remain a free port.
- Residents will have the right to move in and out of Hong Kong freely. British-Hong Kong passports will

remain in use after 1997, but holders will not be able to pass this right on to the next generation.

-- Civil servants will be retained, although foreigners, including the British, will be allowed to serve only below the ministerial level. [redacted]

The complicated details of the transition will be left for a joint liaison group to negotiate. For example, the British expect the liaison group to deal initially with arrangements for Hong Kong's continued participation in several hundred international agreements and organizations. [redacted]

A few points will remain unresolved. Of these the most significant is how Hong Kong's chief executive and his deputy will be chosen after 1997. London favors direct popular elections, seeing that as a way to help safeguard Hong Kong's autonomy. Beijing, however, is determined to retain a large voice in the choice of the governor. In mid-September, the two sides did agree that Hong Kong's chief executive will be responsible to an elected legislature. [redacted]

Ratification

Despite these gaps, Prime Minister Thatcher is undoubtedly pleased at the prospect of putting the Hong Kong question in large measure behind her. Thatcher seems confident that sufficient concessions have been obtained to sell the accord to Parliament and the people of Hong Kong. The British believed earlier that they required a commitment from China not only that Hong Kong would be granted autonomy, but that the accord would have the status of a legally binding international agreement. Foreign Secretary Howe publicly asserted that he got those assurances during his visit to Beijing in July, and both he and Thatcher will probably emphasize the binding aspects of the accord in the Parliamentary debate. [redacted]

In addition, the Chinese agreed to allow the joint liaison group to remain in existence until the year 2000, giving the British at least a symbolic official presence in Hong Kong after it reverts to Chinese sovereignty. In turn, the British acquiesced to China's insistence that the liaison group be based

¹ Beijing first proposed establishing a joint liaison group back in April and has never made its functions clear. We believe China wants to use the group primarily as a watchdog agency to protect Beijing's interests in Hong Kong. [redacted]

in Hong Kong beginning in 1988 on the condition that it not have any administrative authority.² Chinese insistence on this point suggests that Beijing intends to use this group as a vehicle for exerting influence over British policy. [redacted]

Once the accord is initialed, the British Parliament will take it up when it reconvenes in late October. In the meantime, the British have promised to set up an "assessment office" in Hong Kong to canvass public reaction to the agreement. Unless unexpectedly strong opposition erupts in Hong Kong (or within the right wing of the British Conservative Party), the Thatcher government expects the accord to be ratified in time for China and the United Kingdom to hold a signing ceremony by next summer. [redacted]

We expect the reaction in Hong Kong to be mixed. Some interest groups are likely to be strongly critical of the vagueness of the guarantees China has agreed to. But many, perhaps the vast majority, probably will be relieved that Hong Kong's future has been somewhat clarified, or will be resigned to the fact that they are powerless to change the outcome. Even if groups in Hong Kong raise strong objections, we believe the Thatcher government would be unwilling to reopen the talks and press for changes in the accord. Howe made that very clear at a press conference at the conclusion of his last visit to China. British officials will instead hold out the prospect that the goodwill accrued from the agreement will permit issues to be resolved through informal talks. [redacted]

Once the Chinese leadership signs off on the agreement, ratification by the National People's Congress or its Standing Committee is purely pro forma. Indeed, the Chinese probably will celebrate the initialing of the accord on 1 October, as part of their larger National Day celebrations. [redacted]

Beijing's Goals During the Transition

Having obtained Britain's acquiescence to Chinese sovereignty and its agreement to relinquish control over Hong Kong, Beijing will undoubtedly seek to develop more concrete influence over the territory's affairs during the transition period. And Beijing will be trying to expand its narrow base of

² The UK opposed having the joint liaison group based in Hong Kong during the transition period fearing that it would undercut their authority. A compromise was struck during Howe's July visit so that the group will meet alternately in Hong Kong, London and Beijing until 1988 when it will be based in Hong Kong. [redacted]

popular support as well as its influence within the executive and administrative structure with the aim of gaining a strong behind-the-scenes say in policy matters. [redacted]

It is very important to China that Hong Kong's economy continue to prosper because of its role in China's own economic modernization drive. Not only does China earn about one-third of its foreign exchange there, but the territory also is an important source of financial and technical assistance. The Chinese may also calculate that some foreign companies' decisions to invest in China will be influenced by how Beijing deals with the territory. [redacted]

Beijing probably believes, moreover, that a smooth, orderly transition will strengthen its ability to press Taiwan on reunification. Buoyed by their success in regaining sovereignty during Hong Kong, the Chinese may well make new overtures to Taipei over the next year or so. At a minimum, they are likely to encourage Taiwan to maintain its economic ties with the territory and perhaps seek to establish or expand their contacts with Kuomintang supporters in the colony as a back channel to Taipei. [redacted]

Expanding Chinese Influence

To build public support and confidence in China's takeover we expect Beijing to:

- Solicit local views on the content of the Basic Law, which will spell out the details of how Hong Kong will function as a special administrative region of China after 1997. Next year China plans to set up a drafting committee in Beijing along with a consultative committee in Hong Kong. [redacted]
- Cultivate key groups and individuals in the colony by offering them such inducements as positions in a post-1997 administration, trade deals with China, Bank of China loans, or other forms of support. [redacted]
- Make selected, well-publicized investments in Hong Kong to bolster confidence within the Hong Kong business community. For example, a subsidiary of the Bank of China recently provided China's first loan to a Hong Kong public utility--\$38 million to expand the local subway system. [redacted]
- Refrain--especially at first--from intervening publicly in Hong Kong's internal affairs. China's representatives in the territory, for example, refused a recent request by Hong Kong's American Chamber of Commerce to intervene on the colony's behalf to protest recent US textile restrictions. A senior Chinese official deftly turned the request

aside by asserting that the defense of Hong Kong's interests still lie with the British and that China did not want to undermine their authority. [redacted]

- Pay lip service to democratic reforms, while organizing its own slate of candidates to compete for seats on Hong Kong's Executive and Legislative Councils. In June, Deng Xiaoping told Hong Kong delegates to the National People's Congress that they should participate more in the political and economic life of Hong Kong. Deng also advised the delegates to help train personnel who could eventually take over responsibility for Hong Kong's administration beginning in 1997. [redacted]
- Continue to use propaganda to develop support in Hong Kong. Xinhua issued press guidance in early May instructing its representative in the colony to focus on winning over the masses in Hong Kong who do not support one side or the other. The guidance added that Beijing's media outlets in Hong Kong should continue "the struggle" by reasonable arguments and not hurl abuse. [redacted]

At the same time, Beijing plans to use its continuing negotiations with the British through the joint liaison group as a key venue for protecting its interests in Hong Kong. [redacted]

Beijing almost certainly will also seek to influence the selection of officials appointed to key positions in the Executive and Legislative Councils, the bureaucracy, the police, and security apparatus. [redacted]

Potential Pitfalls

Gaining public confidence will not be easy. Beijing's credibility with the people of Hong Kong has never been high. After all, most of the territory's population is made up of refugees from the PRC and their families. [redacted]

Those that count--the business and professional classes--who have the option of leaving, will be watching to see not only what is contained in the agreement, but probably more importantly whether China lives up to its promises not to tamper with Hong Kong's economic and social systems. The lower classes, which have fewer or no options, can only hope for the best. [redacted]

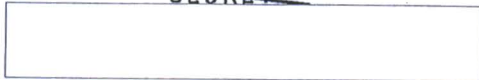
Beijing clearly recognizes the importance of gaining and sustaining public confidence in Hong Kong but this does not mean that the Chinese necessarily will prove able to stick to a course of moderation and flexibility. Nationalistic and ideological pressures will be at work in Beijing during the transition period. The best of current intentions notwithstanding, Beijing may not be able to refrain from heavy handed tactics--especially if it comes to believe that the British are attempting to circumvent the spirit of the agreement. [redacted]

[redacted]

Beijing could misstep in several ways:


- By excessively meddling in Hong Kong's administration or economy during the transition. For example, Beijing could try to convert its representatives to the joint liaison group into a shadow government. China's leading economic organizations in Hong Kong, such as the Bank of China and China Resources Company, could also begin putting strong pressure on local businesses to deal primarily with PRC companies.
- By showing signs of renegeing on its commitments made to the people of Hong Kong, especially those included in the Sino-British agreement. For example, Beijing would upset the Hong Kong people if it indicated it was going to restrict their right to travel abroad or conduct business with few restraints.

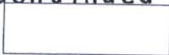
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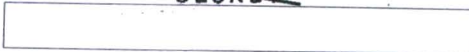


-- By wrangling with the British over transition arrangements to the point where little if any cooperation is taking place. 

Prospects

Much of Hong Kong's future will depend on how its business community reacts to the settlement. We expect Hong Kong's domestic investors (who account for the bulk of total investment) to remain cautious during the next year as they wait to see how the agreement is implemented. They are likely to prefer short term investments which will support the strong economic recovery Hong Kong has been making. Over the longer term the outlook is more uncertain. Inevitable leadership changes in Beijing will raise new concerns about China keeping its commitments to Hong Kong. Even if continuity is maintained in Beijing, Hong Kong's propensity to talk itself into a near-panic state will remain a threat to the territory's future. 

Pressure for the US to support the Hong Kong settlement is already developing. The British are asking for a statement of support and the Chinese would welcome such an act. With the United States the largest foreign investor in Hong Kong and the colony's largest trading partner, continued economic involvement by US firms will be most welcome. 



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NATIONAL SECURITY COUNCIL
SECRETARIAT

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TO SECSTATE WASHDC IMMEDIATE 2237

~~SECRET~~ SECTION 01 OF 02 LONDON 21136

NODIS
E. O. 12356: DECL: OADR
TAGS: HK, UK, CH
SUBJECT: FCO BRIEFING PAPER ON HONG KONG AGREEMENT

1. (SECRET ENTIRE TEXT.)

2. PARA THREE CONTAINS THE TEXT OF AN FCO PAPER FOR USE BY HMG OFFICIALS AND MISSIONS ABROAD IN BRIEFINGS ON THE HONG KONG AGREEMENT. IT SHOULD REMAIN CLASSIFIED SECRET UNTIL THE WHITE PAPER IS RELEASED ON WEDNESDAY, SEPTEMBER 26.

3. BEGIN TEXT:

DRAFT AGREEMENT ON THE FUTURE OF HONG KONG
A DRAFT AGREEMENT ON THE FUTURE OF HONG KONG WAS INITIALLED IN PEKING BY THE LEADERS OF BRITISH AND CHINESE DELEGATIONS ON 26 SEPTEMBER 1984. IT HAS BEEN PUBLISHED IN A WHITE PAPER IN LONDON AND IN HONG KONG. THE PEOPLE OF HONG KONG WILL BE GIVEN AN OPPORTUNITY TO MAKE KNOWN THEIR VIEWS ON THE AGREEMENT. IT WILL THEN BE DEBATED IN PARLIAMENT.

THE AGREEMENT CONSISTS OF:

-- A JOINT DECLARATION, IN WHICH THE UNITED KINGDOM DECLARES THAT IT WILL RETURN HONG KONG TO THE PEOPLE'S REPUBLIC OF CHINA IN 1997, THE CHINESE GOVERNMENT DECLARES IN BROAD OUTLINE ITS POLICIES TOWARDS HONG KONG, AND THE TWO GOVERNMENTS AGREE TO IMPLEMENT THESE DECLARATIONS AND THE ANNEXES.

-- ANNEX 1 IN WHICH THE CHINESE GOVERNMENT EXPANDS ON DIFFERENT ASPECTS OF ITS POLICIES TOWARDS HONG KONG IN FOURTEEN SECTIONS;

-- ANNEX 11 WHICH SETS OUT THE TERMS OF REFERENCE AND OUTLINES WORKING ARRANGEMENTS OF A JOINT LIAISON GROUP THROUGH WHICH THE TWO SIDES WILL CONTINUE TO COOPERATE UP TO THE YEAR 2000;

-- ANNEX 111 WHICH PROVIDES FOR THE PROTECTION OF EXISTING LAND RIGHTS AND FOR FUTURE LAND GRANTS.

THERE WILL BE AN ASSOCIATED EXCHANGE OF MEMORANDA ON NATIONALITY.

THE AGREEMENT IS THE RESULT OF TWO YEARS OF HARD NEGOTIATIONS WITH THE CHINESE GOVERNMENT. ITS CRUCIAL ELEMENTS ARE:

-- THE JOINT DECLARATION AND ITS THREE ANNEXES MAKE UP AN INTERNATIONAL AGREEMENT, LEGALLY

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NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 02 OF 02 LONDON 1136

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BINDING IN ALL ITS PARTS. SUCH AN AGREEMENT IS THE HIGHEST FORM OF BILATERAL COMMITMENT BETWEEN SOVEREIGN STATES.

-- THE AGREEMENT DEALS IN CONSIDERABLE DETAIL WITH CHINESE POLICIES TOWARDS HONG KONG AFTER 1997. IT PROVIDES A FRAMEWORK IN WHICH THE PEOPLE OF HONG KONG CAN WORK FOR A SECURE AND PROSPEROUS FUTURE.

-- THE POLICIES SET OUT IN THE JOINT DECLARATION AND IN THE ANNEXES WILL BE INCLUDED IN A BASIC LAW TO BE PASSED BY THE NATIONAL PEOPLE'S CONGRESS OF THE PEOPLE'S REPUBLIC OF CHINA, AND WILL BE MAINTAINED FOR 50 YEARS AFTER 1997.

THE AGREEMENT PROVIDES FOR:

-- HONG KONG TO ENJOY A HIGH DEGREE OF AUTONOMY AS A SPECIAL ADMINISTRATIVE REGION (SAR) OF THE PEOPLE'S REPUBLIC OF CHINA. SOCIALIST POLICIES APPLIED IN THE MAINLAND WILL NOT BE APPLIED TO THE SAR.

-- THE PEOPLE OF HONG KONG TO CONTINUE TO ENJOY THEIR EXISTING RIGHTS AND FREEDOMS UNDER HONG KONG LAW AND FOR THE CONTINUED APPLICATION TO HONG KONG OF THE INTERNATIONAL COVENANT ON CIVIL AND POLITICAL RIGHTS AND THE INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND

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NATIONAL SECURITY COUNCIL
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NODIS

E. O. 12356: DECL: OADR

TAGS: HK, UK, CH

SUBJECT: FCO BRIEFING PAPER ON HONG KONG AGREEMENT
CULTURAL RIGHTS.

-- THE LEGISLATURE OF THE HONG KONG SAR TO MAKE
LAWS FOR THE HONG KONG SAR. THE LEGISLATURE
WILL BE ELECTED AND THE EXECUTIVE WILL BE ACCOUNTABLE
TO THE LEGISLATURE AND TO THE COURTS.

-- HONG KONG'S LEGAL AND JUDICIAL SYSTEMS, INCLUDING
THE COMMON LAW TO BE MAINTAINED. A COURT OF FINAL
APPEAL WILL BE ESTABLISHED IN THE HONG KONG SAR.

-- CONTINUATION OF EMPLOYMENT FOR MEMBERS OF
HONG KONG'S PUBLIC SERVICE, INCLUDING (UP TO
CERTAIN LEVELS) EXPATRIATE MEMBERS. ALL RESPON-
SIBILITIES FOR THE PAYMENT OF PENSIONS WILL BE
TAKEN OVER BY THE SAR GOVERNMENT.

-- THE HONG KONG SAR TO BE ABLE TO NEGOTIATE
AGREEMENTS AND PARTICIPATE IN INTERNATIONAL
ORGANIZATIONS IN APPROPRIATE FIELDS. HONG
KONG WILL BE ABLE TO CONTINUE TO PARTICIPATE
IN GATT, ETC.

-- THE HONG KONG SAR TO HAVE AUTONOMY IN
ECONOMIC, FINANCIAL AND MONETARY FIELDS. THERE
WILL BE NO EXCHANGE CONTROL AND THE HONG KONG
DOLLAR WILL CONTINUE TO BE FREELY CONVERTIBLE.
INVESTORS WILL BE ABLE TO PUT IN OR WITHDRAW
THEIR CAPITAL FREELY.

-- THE HONG KONG SAR TO DETERMINE ITS OWN
SHIPPING POLICIES, AND TO BE GIVEN AUTHORITY
TO NEGOTIATE ITS OWN AIR SERVICE AGREEMENTS
FOR INTERNATIONAL FLIGHTS WHICH DO NOT TOUCH THE
MAINLAND OF CHINA.

-- THE RECOGNITION OF EXISTING LAND RIGHTS. IT
MAKES PROVISION FOR THE HONG KONG GOVERNMENT TO
GRANT NEW LEASES EXTENDING UNTIL 2047.

-- THE CONTINUING RIGHT OF FREE ENTRY TO AND
EXIT FROM HONG KONG. IT SETS OUT THE CRITERIA
FOR THE RIGHT OF ABODE IN HONG KONG AND THE ISSUE
AND USE OF PASSPORTS AND OTHER TRAVEL DOCUMENTS.

RESIDENTS OF THE SAR WILL BE ABLE TO TRAVEL
ON DOCUMENTS ISSUED BY OTHER GOVERNMENTS,
INCLUDING BRITISH PASSPORTS. HONG KONG BDTCS
WILL RETAIN A FORM OF BRITISH NATIONALITY
AFTER 1 JULY 1997. THIS STATUS WILL NOT, HOWEVER,
BE TRANSMISSIBLE BY DESCENT AND WILL ONLY BE
ACQUIRED BY THOSE WHO OBTAIN OR ARE INCLUDED
IN A PASSPORT BEFORE 1 JULY 1997.

HER MAJESTY'S GOVERNMENT FIRMLY BELIEVES THAT THE

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NATIONAL SECURITY COUNCIL
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PAGE 02 OF 02 LONDON 1136

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AGREEMENT PROVIDES THE NECESSARY ASSURANCES ABOUT HONG KONG'S FUTURE AND HAVE STRONGLY COMMENDED IT TO THE PEOPLE OF HONG KONG AND PARLIAMENT. END TEXT.

4. DEPARTMENT PLEASE REPEAT TO HONG KONG AND BEIJING. PRICE
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NATIONAL SECURITY COUNCIL
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PAGE 01 OF 02 LONDON 1146 DTG: 241802Z SEP 84 PSN: 037010
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~~SECRET~~ SECTION 01 OF 02 LONDON 21146

NODIS
CORRECTED COPY TEXT
E.O. 12356: DECL: OADR
TAGS: HK, CH, UK
SUBJECT: UPDATE ON HONG KONG AGREEMENT: SEPT. 24

1. (SECRET ENTIRE TEXT.)

2. WITH THE TEXT OF THE WHITE PAPER NOW AT THE PRINTERS IN ANTICIPATION OF ITS RELEASE 26 SEPT., FCO OFFICIALS ARE PAUSING TO CATCH THEIR BREATH. THEY PROVIDED A BRIEF REVIEW OF THE STATE OF PLAY 24 SEPTEMBER.

3. ARRANGEMENTS FOR THE INITIALLING: THE INITIALLING WILL TAKE PLACE IN BEIJING AT 11 AM GMT ON WEDNESDAY, 26 SEPTEMBER NOW THAT THE CABINET AND THE PRC HAVE APPROVED THE TEXT OF THE AGREEMENT. COPIES OF THE WHITE PAPER WILL BE AVAILABLE IN LONDON FROM NOON ON WEDNESDAY. ARRANGEMENTS ARE BEING MADE TO SEND COPIES TO WASHINGTON VIA THE CONCORDE ON WEDNESDAY EVENING. ADVANCE COPIES WILL HAVE BEEN PROVIDED TUESDAY EVENING TO OPPOSITION LEADERS KINNICK, OWEN, STEELE AND HEALY. HOWE WILL HOLD A PRESS CONFERENCE IN NEW YORK ON WEDNESDAY, FOLLOWED BY TV AND OTHER MEDIA APPEARANCES. LUCE WILL PROVIDE AN UNATTRIBUTED BRIEFING IN LONDON. THE BRITISH EXPECT WE WILL ISSUE OUR STATEMENT SOMETIME WEDNESDAY.

4. THE WHITE PAPER: THE WHITE PAPER HAS THREE PARTS -- THE INTRODUCTION, THE TEXT OF THE AGREEMENT, AND EXPLANATORY NOTES WHICH GIVE HMG'S INTERPRETATION OF THE AGREEMENT. THE INTRODUCTION PROVIDES A HISTORY OF THE HONG KONG TREATIES AND A BACKGROUND TO THE CURRENT NEGOTIATIONS WHICH EXPLAINS WHY THE NEGOTIATIONS HAD TO OCCUR AT THIS TIME. IT EXPLAINS THAT THE BRITISH AT FIRST WANTED A MACAU SOLUTION WITH CHINESE SOVEREIGNTY AND BRITISH ADMINISTRATION,

BUT THAT THE CHINESE REJECTED THIS APPROACH. IT STRONGLY RECOMMENDS THE AGREEMENT TO THE PEOPLE OF HONG KONG AND THE BRITISH PARLIAMENT, EMPHASIZING THAT THE ONLY ALTERNATIVE IS NO AGREEMENT, AND THE IMMEDIATE REVERSION OF THE NEW TERRITORIES TO THE PRC IN 1997. IT NOTES THAT WHILE THIS AGREEMENT IS NOT THE HMG'S PREFERRED SOLUTION, IT IS THE ONLY SOLUTION AVAILABLE AND IS IMPOSED BY CURRENT CIRCUMSTANCES.

PART THREE IS AN EXPLANATION OF THE AGREEMENT. IT IS

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NLRR M299 # 92623

BY KML NARA DATE 6/21/12

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PAGE 02 OF 02 LONDON 1146

DTG: 241802Z SEP 84 PSN: 037010

THIS WHICH THE CHINESE INSISTED ON SEEING AT THE LAST MINUTE BEFORE THEY WOULD APPROVE THE AGREEMENT. WHILE THEY WERE UNCOMFORTABLE WITH THE BRITISH ISSUING AN EXPLANATION OF THE AGREEMENT WHICH THEY HAD NOT SEEN, THE ACTUAL TEXT CAUSED THE CHINESE VIRTUALLY NO PROBLEMS.

5. HOW OUTSTANDING ISSUES WERE RESOLVED:
CIVIL AVIATION: THE COMPROMISE ALLOWS CHINA TO NEGOTIATE ALL ROUTES TOUCHING ON CHINA (E. G., LONDON TO BEIJING), WHILE THE HONG KONG GOVERNMENT (SAR) NEGOTIATES ALL OTHER ROUTES. THIS IS SATISFACTORY TO CATHAY PACIFIC, AND THEREFORE TO HMG.

NATIONALITY: THE BRITISH LOST ON THE ISSUE OF TRANSMISSABILITY. EVERYONE IN HONG KONG BORN AFTER 1 JULY 1997 WILL BE A CHINESE NATIONAL. NEW PASSPORTS (THEIR TERM PASSPORTS IS A CHINESE CONCESSION) FOR CURRENT BDTCS WILL HAVE TO BE ISSUED BY 1 JULY 1997, WHICH PROVIDES NO RELIEF FOR THE HONG KONG GOVERNMENT'S ANTICIPATED LOGISTICAL PROBLEM WITH ISSUING SO MANY NEW PASSPORTS WITHIN A SHORT PERIOD OF TIME. THE TERM NATIONALITY DOES NOT APPEAR ANYWHERE IN THE TEXT OF THE AGREEMENT OR THE WHITE PAPER. IT IS NOT YET DECIDED WHAT THE CURRENT BDTCS WILL BE CALLED AFTER 1997.

RATIFICATION: THE BRITISH AGREED TO A DEFINITE RATIFICATION DEADLINE IN EXCHANGE FOR AN EASING OF THE TIMEFRAME BY THE CHINESE FROM THREE TO SIX MONTHS. THE AGREEMENT IS SCHEDULED TO BE SIGNED BY THE END OF DECEMBER, AND RATIFIED NO LATER THAN 30 JUNE 1985.

CONSTITUTIONAL ISSUES: THE CHINESE FINALLY AGREED TO INCLUDE IN THE AGREEMENT A PROVISION FOR AN

ELECTED SAR LEGISLATURE. THE CHIEF EXECUTIVE WILL BE CHOSEN BY ELECTION OR CONSULTATION, AND HE IN TURN WILL NOMINATE PRINCIPAL GOVERNMENT OFFICIALS. THE EXECUTIVE WILL BE ACCOUNTABLE TO THE LEGISLA-
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PAGE 01 OF 02 LONDON 1146 DTG: 241802Z SEP 84 PSN: 037012
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E. O. 12356: DECL: OADR
TAGS: HK, CH, UK
SUBJECT: UPDATE ON HONG KONG AGREEMENT: SEPT. 24
TURE AND MUST ABIDE BY THE LAW.

6. HOWE/WU MESSAGES: HOWE SENT THREE MESSAGES TO WU IN THE LAST THREE WEEKS: THE FIRST PROPOSED COMPROMISES ON THE CONSTITUTIONAL ISSUE, RATIFICATION, AND NATIONALITY; THE SECOND PROPOSED A FALLBACK POSITION ON NATIONALITY, THE THIRD RESPONDED TO THE CHINESE REQUEST TO SEE THE WHITE PAPER BEFORE IT WAS PUBLISHED. FCO OFFICIALS CREDIT HOWE'S GOOD PERSONAL RELATIONSHIP WITH WU WITH SAVING HIM ANOTHER HIGH PROFILE TRIP TO HONG KONG IN THE WANING DAYS OF THE NEGOTIATIONS.

7. EXCO OFFICIALS VISIT TO LONDON: EXCO OFFICIALS CAME TO LONDON LAST WEEK TO GIVE THEIR FORMAL APPROVAL OF THE AGREEMENT, TO REGISTER THEIR RESERVATIONS ABOUT THE NATIONALITY ASPECTS (PARTICULARLY TRANSMISSABILITY), AND TO REQUEST THAT THATCHER GO TO BEIJING IN DECEMBER TO SIGN THE AGREEMENT. THATCHER HAS NOT YET RESPONDED TO THE LATTER REQUEST PENDING CONSIDERATION OF HER CALENDAR FOR THE REMAINDER OF THE YEAR. THERE IS SOME QUESTION AS TO WHETHER SHE COULD GO TO BEIJING WITHOUT RESCHEDULING HER SOUTHEAST ASIA STOPS, AND WHETHER SHE HAS TIME TO DO BOTH.

8. NEXT STEPS: THE ASSESSMENTS STAFF IN HONG KONG WILL GO TO WORK AS SOON AS THE AGREEMENT IS INITIALLED. ARRANGEMENTS HAVE BEEN MADE TO DISTRIBUTE IN HONG KONG 1 1/2 MILLION COPIES OF THE WHITE PAPER IN CHINESE AND 200,000 IN ENGLISH TO PROMOTE WIDESPREAD AND RAPID COMMENTS ON THE AGREEMENT. THE TWO MONITORS ARE ALSO READY TO BEGIN EVALUATING THE ASSESSMENTS STAFF'S PERFORMANCE. PARLIAMENTARY DEBATE IS SCHEDULE FOR THE FIRST WEEK IN DECEMBER. THE FCO WILL NOW FOCUS ON THE IMPLEMENTING LEGISLATION WITH A VIEW TOWARD PRESENTING IT TO PARLIAMENT IN JANUARY. THE DEBATE ON THE LEGISLATION SHOULD BE SHORT AS THE MAIN ISSUES WILL HAVE BEEN VETTED IN DECEMBER.

9. IN REVIEWING THE POSSIBLE WAYS THAT THE SETTLEMENT COULD GO WRONG -- REJECTION BY THE PEOPLE OF HONG KONG OR THE PARLIAMENT, A CHANGE OF GOVERNMENT IN THE PRC -- FCO OFFICIALS CONCLUDE THAT THEY ARE HOME FREE NOW. THE LOGIC OF THE AGREEMENT,

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PAGE 02 OF 02 LONDON 1146

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WHEN COMPARED WITH THE ALTERNATIVE OF NO AGREEMENT, SEEMS TOTALLY COMPELLING. HOWEVER, WE SENSE THAT THEY ARE NOT LOOKING FORWARD TO THE NEXT COUPLE OF MONTHS WHEN THE AGREEMENT WILL BE UNDER THE PUBLIC MICROSCOPE, AND THERE WILL BE TIME FOR AWKWARD QUESTIONS SUCH AS "WHAT WILL HMG DO IF THE PRC DOES NOT ABIDE BY THE AGREEMENT" OR INVADES HONG KONG AT SOME FUTURE DATE?" THESE QUESTIONS FALL OUTSIDE THE BOUNDARIES OF THE LOGIC OF THE AGREEMENT, AND WILL MAKE GOVERNMENT SPOKESMEN EARN THEIR LIVING OVER THE NEXT SEVERAL WEEKS.

10. THERE IS AN UNCONFIRMED RUMOR HERE THAT ZHOU NAN, THE BETE NOIR OF THE NEGOTIATIONS IN BRITISH EYES, WILL BECOME THE NEXT PRC AMBASSADOR TO WASHINGTON.

11. DEPARTMENT PLEASE PASS TO HONG KONG AND BEIJING.
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DEPARTMENT OF STATE

WASHFAX RECEIPT
DEPARTMENT OF STATE

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84 SEP 24 P11:

Handwritten initials/signature

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UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)
S/S #

01 6/11/16

WHITE HOUSE
SITUATION ROOM

8517

SECRET

MESSAGE NO _____ CLASSIFICATION _____ No. Pages 1
FROM Jim Collins S/S 28448 7324
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION DRAFT STATEMENT ON
HONG KONG AGREEMENT

TO (Agency)	DELIVER TO:	Extension	Room No.
NSC	BOB Kimmatt		
	THOMPSON		
	NSC-5		
	Law, Song, Childress		
	Jordan, Funtion M. Atlock		

FOR CLEARANCE INFORMATION PER REQUEST COMMENT

REMARKS ATTACHED FOR YOUR INFO IS THE PROPOSED
US. STATEMENT TO BE ISSUED FOLLOWING INITIALING
OF THE US-PRC AGREEMENT ON HONG KONG. THE
DRAFT IS IN THE APPROVAL PROCESS AT STATE.

S/S Officer [Signature]

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STATEMENT ON THE UK-PRC
AGREEMENT ON THE FUTURE OF HONG KONG

The U.S. Government welcomes the successful conclusion of two years of negotiations between the United Kingdom and the People's Republic of China over the future of Hong Kong.

The U.S. has a strong interest in the continued stability and prosperity of Hong Kong and believes the agreement will provide a solid foundation for Hong Kong's enduring future progress. In this regard, we have noted statements by both sides indicating that Hong Kong's way of life will be guaranteed for fifty years from 1997 and that systems existing in Hong Kong will continue in the Special Administrative Region.

We expect the American business communities, both in the United States and Hong Kong, will see in this agreement good reason for sustained confidence in the future of Hong Kong as an attractive and thriving commercial center.

The U.S. will provide any assistance it can, in close cooperation with the United Kingdom and the People's Republic of China, to maintain Hong Kong's appropriate participation in international bodies.

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NLRR M299 #92625

BY KML NARA DATE 6/21/12

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MEMORANDUM

NATIONAL SECURITY COUNCIL

7126

File = 141k

September 24, 1984

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INFORMATION

RCM HAS SEEN

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: DAVID N. LAUX *DL*

SUBJECT: Status Report on the British-Chinese Agreement on Hong Kong

The British and Chinese intend to make public on September 25 or 26 the Agreement on the future of Hong Kong. The British have made a copy of the text available to our State Department over the weekend and State will provide us a copy today. The initial State reaction to the Agreement is that it is a pretty good one, and that the British did a reasonably good job of negotiating it.

The British have asked the U.S. Government to make a statement commenting on the Agreement in a way which will be helpful in maintaining American investor confidence in Hong Kong. State concocted a statement which, unfortunately, before it was coordinated with us, was given informally to the British and also to our Embassy in Beijing and the Consulate in Hong Kong. However, State has accepted our edits -- which were mainly designed to prevent the comment from being too effusive -- and the revised statement is being cabled to London, Beijing and Hong Kong today.

The whole package is being delivered to Secretary Shultz today. After his approval, the U.S. statement is scheduled to be made in Shultz's name by the State public affairs spokesman at their noon briefing on Wednesday, September 26, 1984.

Attached is a copy of the final statement.

Gaston Sigur ⁶⁻⁵ concurs.

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NLRR M299 # 92626

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BY KML NARA DATE 6/21/12

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NLRR M299 # 92628

BY KML NARA DATE 10/21/12

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Thatcher
Letter
on
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THE WHITE HOUSE

WASHINGTON

September 25, 1984

RR 9/25/84

Mr. President:

Attached is a message from Prime Minister Thatcher on the Hong Kong agreement with China, which will be initialed tomorrow. Secretary Shultz plans to issue a statement supporting the agreement, and we will forward shortly a proposed response from you to Mrs. Thatcher.


Robert C. McFarlane

Attachment

REFERRAL

DATE: 26 SEP 84

MEMORANDUM FOR: STATE SECRETARIAT

DEPARTMENT OF STATE

DOCUMENT DESCRIPTION: TO: PRESIDENT

SOURCE: THATCHER, MARGARET

DATE: 24 SEP 84

KEYWORDS: GREAT BRITAIN CHINA P R


HONG KONG HS

SUBJ: THATCHER LTR RE HONG KONG AGREEMENT W/ CHINA

REQUIRED ACTION: RECOMMENDATIONS / DRAFT REPLY

DUE DATE: 03 OCT 84

COMMENTS:


FOR ROBERT M. KIMMITT

EXECUTIVE SECRETARY

COVERING UK ~~SECRET~~ 28



BRITISH EMBASSY,
WASHINGTON, D. C.
TEL: (202) 462-1340

FROM THE AMBASSADOR

24 September 1984

The Honorable
Robert C McFarlane
Assistant to the President
for National Security Affairs
The White House
WASHINGTON DC

Dear Sir,

I enclose the text of a message from
the Prime Minister to President Reagan.
I should be grateful for your help in
transmitting it to the President.

Yours truly,

Oliver Wright
Oliver Wright

COVERING UK ~~SECRET~~ *on 6/17/84*



92630 29
TEXT OF MESSAGE DATED 24 SEPTEMBER FROM THE
PRIME MINISTER TO PRESIDENT REAGAN

DECLASSIFIED

NLRR M299 #92630

BY KM NARA DATE 6/21/12

Begins

After two years of tough and detailed negotiations with the Chinese, which started with my visit to Peking in September 1982, we are set to initial an agreement on 26 September.

I believe that in this agreement we have achieved the major points we set out to secure. In particular, it will be a binding international agreement: it incorporates sufficient detail and clarity about the arrangements in Hong Kong for a period of 50 years after 1997 to command the confidence of the people of Hong Kong: and it contains a provision that its terms will be 'stipulated' in the basic law to be passed by the National People's Congress of China which will, in effect, form the constitution of Hong Kong after 1997. We have managed to secure a high degree of autonomy for Hong Kong in all fields, especially in the financial and economic fields and in aviation and shipping.

I do not pretend that the agreement is ideal in every respect, but I am convinced that it is a good one, and I shall commend it strongly as a whole to the people of Hong Kong and to Parliament.

I believe that this agreement has an importance that stretches beyond Hong Kong itself. It will help to heal some of the historical scars which still make relations between China and the West difficult at times. It will also play a stabilising role in the area. But to do this, the agreement must work. If it does not work, this could only have a bad effect on China's relations with the West generally. It is therefore in the interests of the West as a whole that it should succeed.



That is why I wanted to write to you personally. As you know well, Hong Kong's prosperity and security depend critically on international confidence. Without that, its prosperity will evaporate. Hong Kong is heavily dependent on commercial links with the United States. It would therefore be most valuable if, once the agreement is published, you felt able to authorise a personal statement from a senior member of your Administration expressing the confidence of the United States in Hong Kong's future prosperity. That would give a powerful lead to international reactions. It would be a major contribution to ensuring the survival of Hong Kong as a flourishing capitalist society.

Ends

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RECEIVED 26 SEP 84 10

TO PRESIDENT

FROM THATCHER, MARGARET

DOCDATE 24 SEP 84

MCFARLANE

25 SEP 84

File 2/1/84

KEYWORDS: GREAT BRITAIN

CHINA P R

HONG KONG

HS

SUBJECT: THATCHER LTR RE HONG KONG AGREEMENT W/ CHINA

ACTION: PENDING STATE DRAFT / RECOM DUE: 03 OCT 84 STATUS D FILES PA

FOR ACTION

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Chidress Thompson

*9/26/84
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Probably good
enough - what do
you think?
Dante*

COMMENTS

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(CM)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

DISPATCH _____ W/ATTCH FILE _____ (C)

30
THE WHITE HOUSE

WASHINGTON

September 25, 1984

RR 9/25/84

Mr. President:

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REFERRAL

DATE: 26 SEP 84

MEMORANDUM FOR: STATE SECRETARIAT

DEPARTMENT OF STATE

DOCUMENT DESCRIPTION:

TO: PRESIDENT

SOURCE: THATCHER, MARGARET

DATE: 24 SEP 84

KEYWORDS: GREAT BRITAIN

CHINA P R

HONG KONG

HS

SUBJ: THATCHER LTR RE HONG KONG AGREEMENT W/ CHINA

REQUIRED ACTION: RECOMMENDATIONS / DRAFT REPLY

DUE DATE: 03 OCT 84

COMMENTS:

Cathy Milleson
FOR ROBERT W. KIMMITT

EXECUTIVE SECRETARY



BRITISH EMBASSY,
WASHINGTON, D. C.
TEL: (202) 462-1340

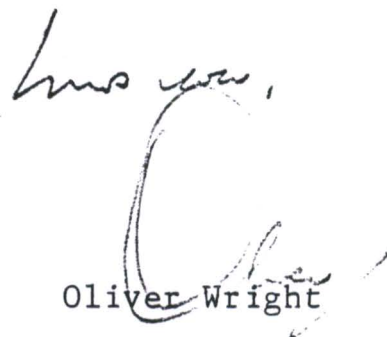
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Assistant to the President
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The White House
WASHINGTON DC

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Yours faithfully,

Oliver Wright



92631 35
TEXT OF MESSAGE DATED 24 SEPTEMBER FROM THE
PRIME MINISTER TO PRESIDENT REAGAN

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NLRR M299 #92631

BY KML NARA DATE 6/21/12

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Ends

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